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RUEHMN/AMEMBASSY MONTEVIDEO 6154
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UNCLAS LA PAZ 000271

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SIPDIS

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E.O. 12958: N/A

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SUBJECT: A/DCM VISIT TO SANTA CRUZ

¶1. (U) During a February 12-13 visit to Santa Cruz, Acting DCM: --escorted two youth from the Yungas region of La Paz, who won scholarships from the Narcotics Affairs Section (NAS), to the Tahuichi soccer academy; --announced English scholarships for 50 disadvantaged high school students to study at the Santa Cruz Binational Center; --hosted dinner for four leaders of the Santa Cruz Chamber of Commerce, Industry, Services and Tourism; --met with leaders of the hydrocarbons sector; --visited the NAS-supported Special Unit for Victims of sexual crimes and trafficking in persons; --toured the International Tourism Fair and participated in the working lunch hosted by the Embassy's Commercial Section and the Visit USA Committee, which included a speaker from International Tourism Marketing, Inc. based in Colorado, and featured a film about the USAID "Cup of Excellence" coffee project; --donated furniture to a home for children undergoing cancer treatment, a USAID Special Development Activity Fund (SDAF) project; and --presented awards to NAS employees at their regional office.

¶2. (SBU) The public events received extensive coverage in the print media, and served as an important reminder to residents in Santa Cruz that the U.S. continues to be present in the region delivering aid, combating narco trafficking, supporting education and culture, and working to improve economic conditions and trade opportunities. Since the highly-publicized September 2008 expulsion of the U.S. Ambassador, there is a perception among some that the U.S. embassy is no longer actively engaged in Bolivia. Our high-profile outreach trips help counter that misperception.

Economic News

¶3. (SBU) Although most Crucenos are presently thinking more about the upcoming Carnival holiday than the serious political and economic issues facing Bolivia, business leaders were both optimistic and pessimistic in their assessments. Hydrocarbons industry experts addressed the corruption scandal in the Bolivian hydrocarbons distribution company (YPFB), saying that despite a lot of changes at the top levels of YPFB since the Morales government took office, the working levels of the company are maintaining some consistency with the nationalization agenda. Nonetheless, YPFB's

lack of ability to plan, a slowness to respond to industry requests and permits, a lack of fuel storage capacity in Bolivia, and the government's lack of will to enforce laws against contraband, results in continuous seasonal fuel shortages. Politicians have only the most basic understanding of the sector. The executives expressed satisfaction with YPFB's higher budget for investments in oil and gas fields for the coming year, but lamented that there had not been enough investment in pipelines and other transportation infrastructure. They said Russian hydrocarbons representatives visit Bolivia every few years, but have never made any significant investment, and they did not expect the recent Gazprom visit to Bolivia or Morales's visit to Russia to amount to much (septel).

¶4. (SBU) A real concern in Santa Cruz is the Morales government's threat to nationalize cooperatives that provide basic services such as water, sewage, and electricity to neighborhoods and communities. The Crucenos are proud of their cooperatives and see them as an important part of regional identity. They often say, "Everything we have, we built ourselves, because the central government has always ignored our needs." The telecommunications cooperative, COTAS, is very worried about nationalization. COTAS has 150,000 shareholders and is valued at USD 200 million. Directors say they frequently get calls from low-level officials in the communications superintendancy asking for bribes to prevent nationalization, but they have refused to pay as they know that there is little that can be done if President Morales decides to nationalize the company.

¶5. (SBU) Other business leaders criticized the current government's economic policies and short-sightedness, for example Morales vetoing of a private deal with a Brazilian company to develop biofuels. They are concerned about many aspects of the new constitution, but are especially interested in fielding a candidate that can stand up to President Morales in upcoming presidential elections scheduled for December 2009. Several leaders were impressed by a recent visit to Santa Cruz by Victor Hugo Cardenas, and liked his message, but admit it will be hard to unify the opposition to Morales.

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